

Rural Utilities Service, USDA

§ 1717.301

line extension policies for the successor.

§ 1717.161 Application process.

(a) Borrowers are responsible for ensuring that their applications for RUS approval of a merger are complete and sound in form and substance when they are submitted to RUS. After submitting an application, borrowers shall promptly notify RUS of any changes or events that materially affect the application or any information in the application.

(b) In reviewing borrower requests for approval of mergers, RUS will consider the likely effects of the action on the ability of the successor to provide reliable electric service at reasonable cost to RE Act beneficiaries and on the security of outstanding RUS loans. Among the factors RUS will consider are whether the proposed merger is likely to:

- (1) Contribute to greater operating efficiency and financial soundness;
- (2) Mitigate high electric rates and or rate disparity;
- (3) Help borrowers to diversify their loads or otherwise hedge risks;
- (4) Have beneficial effects on rural economic development in the community served by the borrower, such as diversifying the economic base or alleviating unemployment; and
- (5) Provide other benefits consistent with the purposes of the RE Act.

(c) RUS will not approve a merger if, in the sole judgment of the Administrator, such action is likely to have an adverse effect on the credit quality of outstanding loans made or guaranteed by the Government. RUS will thoroughly review each request for approval of such action, including review of the feasibility and security of outstanding Government loans according to the standards in 7 CFR 1710.112 and 1710.113, respectively, and in other RUS regulations.

(d) RUS will keep the borrowers apprised of the progress of their applications.

Subparts E-F [Reserved]

Subpart G—Federal Pre-emption in Rate Making in Connection With Power Supply Borrowers

§ 1717.300 Purpose.

This subpart contains regulations of the Rural Utilities Service (RUS) implementing provisions of Section 4 of the RE Act (7 U.S.C. 904) which authorize the Administrator to establish terms and conditions of loans and implementing provisions of the RUS wholesale power contracts and other RUS documents which provide for the establishment of rates to be charged by power supply borrowers for the sale of electric power and energy. This subpart contains the general regulations of RUS for the pre-emption, under certain circumstances, which are not exclusive, of the regulation of a power supply borrower's rates by a state regulatory authority under state law and for the exercise of exclusive jurisdiction over rates by RUS pursuant to the RUS documents.

§ 1717.301 Policy.

(a) RUS makes and guarantees loans to borrowers to bring electric service to persons in rural areas. RUS requires, as a condition to making or guaranteeing any loans to power supply borrowers, that the borrower enter into RUS wholesale power contracts with its several members and assign and pledge such contracts as security for the repayment of loans made or guaranteed by RUS and for other loans which, pursuant to the RE Act, RUS has permitted to be secured pursuant to the RUS mortgage. The RUS wholesale power contract requires, among other matters, that the rates charged for power and energy sold thereunder produce revenues sufficient to enable the power supply borrower to make payments on account of all indebtedness of the power supply borrower. The Administrator relies upon the RUS wholesale power contracts together with other RUS documents to find and certify, as required in section 4 of the RE Act (7 U.S.C. 904), that the security for the loan is reasonably adequate and the loan will be repaid within the time agreed.

(b) RUS requires power supply borrowers to take such actions as may be